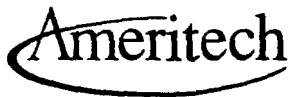
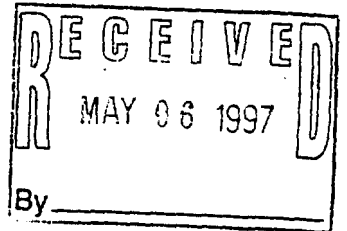


Information Industry Services
350 North Orleans
Floor 3
Chicago, IL 60654
Office 312/335-6648
Fax 312/335-2928

H. Edward Wynn
Vice President &
General Counsel



April 30, 1997

VIA FACSIMILE

Anne K. Bingaman, President
Local Telecommunications Division
LCI International
8180 Greensboro Drive
McLean, VA 22102

Dear Anne:

This letter is in response to your letter of April 25. I believe that I accurately stated LCI's request for a trial of LCI's proposed Network Element Combination. However, to the extent that you believe that I did not do so, I would appreciate your letting me know how my description of LCI's proposal was incorrect so that I may determine whether Ameritech would have a different position about LCI's proposed trial.

As you requested, following is my response to the two areas of apparent misunderstanding identified in your letter. First, I disagree that Ameritech has not offered LCI the functionality that we believe LCI requested. Ameritech provided several options to LCI that would provide the functionality that LCI has stated it requires. Rather, the disagreement appears to focus on the product definition for Unbundled Local Switching.¹ However, because you believe that Ameritech's understanding of LCI's definition of that product may not be correct, I cannot determine the extent of that disagreement until you let me know how Ameritech's understanding of that product definition is incorrect.

Ex. 10

¹ Your letter does not correctly characterize Ameritech's position regarding the product definition of Unbundled Local Switching. That position is stated in my April 16 letter.

Anne K. Bingaman
April 30, 1997
Page Two

Finally, it was my understanding based on very direct questions I asked LCI during our most recent meeting, that LCI believed that it obtained the functionality of interoffice transport and other trunk-side Network Elements as part of its purchase of the Unbundled Local Switching Network Element. If LCI's position has changed, please let me know that and what LCI would propose to pay Ameritech for each of those Network Elements.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ed Hynes". The signature is fluid and extends to the right with a long, sweeping tail.



Anne K. Bingham
Senior Vice President
President, Local
Telecommunications Division

May 22, 1997

VIA FAX

Mr. H. Edward Wynn
Vice President and General Counsel
Ameritech Industry Information Services
359 North Orleans, Third Floor
Chicago, IL 60654

Dear Ed:

It is becoming apparent from your various letters to me that Ameritech is seeking to forestall as long as possible any competition from CLECs such as LCI who wish to provide local service through a network platform. LCI's request for an operational test of a network platform has been made abundantly clear in our two meetings with Ameritech, and in our correspondence following-up on those two meetings. LCI has yet to receive Ameritech's response to that request; instead, all we have received to date are letters from you that either mischaracterize or claim a lack of understanding of LCI's request.

In one last effort to obtain Ameritech's prompt and firm response, I will once again set forth LCI's request. I will also, in response to your latest letter to me, identify the ways in which Ameritech has previously mischaracterized LCI's request.

I. DESCRIPTION OF THE LCI NETWORK ELEMENTS REQUEST

The network element combination (i.e., the platform) requested by LCI consists of three basic elements: the loop, the switch, and access to the interoffice network for the transport and termination of calls.

Transport and Termination of Local Calls: LCI would rely on the pre-existing algorithms in the switch for call routing of local exchange and interexchange traffic. LCI would share with Ameritech and other ULS purchasers the existing trunk ports for purposes of routing local calls and originating and receiving toll calls. Local calls to or from LCI's local customers

Ex. 11

would be routed over the shared trunk ports (from the ULS-purchaser's perspective) onto the existing interoffice network, pursuant to the existing routing instructions in the switch.

LCI, as the provider of local exchange service to its end user customers, would collect reciprocal compensation for termination of the transport and termination of local calls and would pay reciprocal compensation to the terminating carrier for local calls originated by LCI's local customers. LCI, as the provider of exchange access to interexchange carriers originating or terminating calls to LCI's local customers, would collect access charges (CCLC, RIC, and local switching) from the interexchange carriers.

Treatment of Exchange Access: LCI would be the exchange access provider regardless of the transport provider selected by the interexchange carrier. If Ameritech provides switched transport to an interexchange carrier terminating a call to an LCI local customer, LCI would collect the access charges associated with the end office switching and loop (CCLC, RIC, and end user common line charge), just as Ameritech would do if that call instead terminated to an Ameritech local customer served by that end office. The trunk port over which those interexchange calls are terminated would be shared by all local exchange carriers housed in that end office.

Thus, if AT&T purchased switched transport from Ameritech to reach the Ameritech local customers served from a particular end office, that same switched transport (and associated trunk port) could be used to reach the LCI local customers served from that switch. Ameritech would receive the CCLC, RIC, and local switching charges for calls to *its* local customers, and LCI would receive these switch-related charges for calls to *its* local customers. If there is a usage charge associated with the unbundled local switching element, then LCI would pay that to Ameritech for such calls. These principles apply for both originating and terminating interexchange calls.

Thus, in most circumstances, switched access will be provided on a "meet-point" basis where Ameritech (or an alternative provider) supplies the transport, and either Ameritech (for its end-users) or LCI (for its end-users) provides the switched access functions of local switching and common line. This access arrangement is effectively comparable to a situation where Ameritech and an independent jointly provide switched access service to an interexchange carrier, with Ameritech providing the transport and the independent providing the end-office function and beyond.

One of the things that LCI has asked to test with Ameritech is Ameritech's ability to provide LCI with the data it would need to bill interexchange carriers appropriately for access. The access arrangements just described are those that LCI would like to test.

Charges for LCI Platform: In its April 16 letter, Ameritech suggested that under LCI's proposal, LCI would not pay Ameritech for the functionality provided. 1/ As I explained in my April 25 letter, LCI does indeed expect to compensate Ameritech for the functionality provided, but not at wholesale rates, as Ameritech proposes. 2/ Ameritech is entitled to cost-based compensation, and LCI is willing to pay it.

Under LCI's proposed test, LCI would compensate Ameritech for the combination of elements through a charge for the loop and a charge for the unbundled local switching network element (to cover the line port, the switching matrix, and the shared use of trunk ports).

Usage charges also would apply to cover the use of the interoffice network for the transport and termination of local calls. In our meetings, Ameritech's refusal to provide this functionality -- instead insisting that LCI piece together a separate interoffice network consisting of dedicated network elements -- has prevented any discussion of a proposed compensation rate. Although LCI is legally entitled to a cost-based rate, LCI would be willing to pay Ameritech the rate of \$.05 per minute for this function for the purposes of this test. If Ameritech believes that the cost of this function is higher than this proposed amount, LCI would need to review Ameritech's cost justification for a higher charge before it could consider a higher rate.

LCI supports the per-line rate structure under consideration by the Illinois Commission in Docket Nos. 96-0486/0569 (consol.). As such, in LCI's view, there should be no additional charge to LCI for usage for intra-switch calls. LCI would nevertheless be willing to pay Ameritech, for purposes of the test, a ULS usage charge for that function, without conceding that such charge is warranted.

As discussed above, for purposes of the test, Ameritech would not be entitled to collect loop or switching related access charges (CCLC, RIC, and local switching) from LCI in connection with interexchange calls originating from and terminating to LCI's local exchange customers.

II. RESPONSE TO AMERITECH'S MISCHARACTERIZATIONS OF LCI'S REQUEST

Ameritech's mischaracterizations of LCI's request are largely attributable to Ameritech's efforts to describe that request in such a way as to fit Ameritech's legal position on its obligations under the Act to provide access to network elements. As we have stated on many occasions, we recognize that LCI and Ameritech have different views on Ameritech's legal obligations under the Act. As you know, LCI is requesting that this test proceed in spite of those differences, with the understanding that our legal differences will be resolved elsewhere in due course.

1/ See E. Wynn letter to A. Bingaman (April 16) at 3, 4, 5.

2/ See E. Wynn letter to A. Bingaman (April 16) at 4.

Interconnection: Your April 16 letter states that "LCI would not separately obtain Interconnection (as defined and described in the Act) from Ameritech, nor would it provide such interconnection to Ameritech." ^{3/} Whether or not LCI, in purchasing the unbundled element platform we have described, is obtaining interconnection within the meaning of the Act, LCI is entitled to reciprocal compensation for local calls and to cost-based transport and termination.

Components of LCI Platform: Ameritech incorrectly describes the functionalities that LCI would purchase as just the loop and the line port (as depicted in a diagram attached to its April 16 letter). ^{4/} As I stated in my March 4 letter, LCI wishes to purchase (and pay for) the "loop, switch and non-discriminatory access to Ameritech's interoffice network for the transport and termination of local calls at cost-based rates . . . " ^{5/} Ameritech incorrectly states that under LCI's proposal, LCI would not pay for all these functionalities. ^{6/}

Whether priced on a per-line basis or usage basis, LCI is willing to pay a cost-based rate for the switching functionality for purposes of originating and terminating calls, whether local or interexchange. The diagram attached to the April 16 letter also is incorrect, because it indicates that LCI would pay only for the line port, while Ameritech would provide "All Other Functionalities of Unbundled Local Switching, Transport and Termination of Telephone Exchange Service, and Exchange Access Calls."

I also need to correct several other assumptions in the diagram. The first note states that LCI's proposal "[a]ssumes, incorrectly, that Interexchange Carriers ("IXCs") can purchase Network Elements for the purpose of originating/terminating interexchange carrier traffic." LCI's proposal does not depend on the assumption. LCI also does not assume (contrary to the statement in the note) that every IXC has direct trunking to each end office -- LCI understands that this is not the case. The second note in the diagram also incorrectly suggests that LCI is willing only to pay for switching usage on the originating, but not the terminating, end. Assuming that there is a usage component of the ULS network element, it would apply to both originating and terminating traffic under LCI's request. (For purposes of the test we would not contest a rate structure that would include such a usage component).

Other Network Elements: Ameritech states in the April 16 letter that LCI would not separately purchase as part of its requested platform certain other network elements (interoffice transport, directory assistance and operator services, signaling and access to databases, and

^{3/} See E. Wynn letter to A. Bingaman (April 16) at 2.

^{4/} See E. Wynn letter to A. Bingaman (April 16) at 2 and Exhibit A (Diagram).

^{5/} A. Bingaman letter to E. Wynn (March 4) at 1.

^{6/} "LCI believes that it should receive the functionalities provided by such Network Elements [dedicated or shared/dedicated transport and tandem switching] when it purchases only LCI's proposed Unbundled Local Switching and Loops." E. Wynn letter to A. Bingaman (April 16) at 3 & n.2. See also *id.* at 5 ("Ameritech will not provide LCI such use of Ameritech's network for free.") and 4.

unbundled tandem switching). As stated above, LCI desires common transport, and has concluded that Ameritech's dedicated or shared/dedicated transport offerings are not sufficient to meet its needs. LCI would, however, require directory assistance and operator services, at least for purposes of the test 7/.

Transport and Termination of Local Calls over Shared Interoffice Network:

Because Ameritech disagrees with LCI that it is obligated to provide local transport and termination (common transport) in conjunction with unbundled local switching, it persists in labeling this network functionality as a wholesale service. 8/ LCI does not wish to purchase this functionality as a wholesale service, and we have repeatedly made that clear. LCI's position is that Ameritech is obligated under the Act and the FCC's rules to provide transport and termination of local calls at cost-based rates. This is so first, because common transport is a network element and second, because local exchange carriers are entitled to reciprocal compensation (and transport and termination from other local exchange carriers) at cost-based rates. 9/

Ameritech's position is that it does not have such an obligation under the Act. We state this difference only to underscore that we are asking Ameritech to conduct a test of the unbundled element platform *as LCI has defined it*, understanding Ameritech's legal position that it is not obligated to offer that definition of the platform.

Access Charge Treatment: Ameritech also has refused to acknowledge that the purchaser of unbundled local switching is the provider of originating and terminating interexchange access *regardless* of the nature of transport selected by the interexchange carrier. 10/ Again, to be perfectly clear, LCI is requesting that Ameritech conduct a test of the platform under which the ULS purchaser is the provider of exchange access in every situation.

* * * * *

7/ Assuming that Ameritech agrees to conduct a test, LCI would like to test custom routing on some lines to a separate OS/DA arrangement.

8/ See E. Wynn letter to A. Bingaman (April 16) at 4.

9/ Ameritech suggests in a footnote to its April 16 letter that LCI asserted in its March 4 letter that Ameritech is unwilling to provide dedicated or shared interoffice transport to LCI. LCI stated there that Ameritech was willing only to offer access to its dedicated interoffice facilities -- and understood that Ameritech's "shared" offering was also an offering of dedicated facilities -- dedicated to a carrier that could share that facility with another (non-Ameritech) carrier. March 4 letter at 2. LCI consistently has requested, instead, that it be permitted to share Ameritech's own transport network -- an offering often referred to as "common transport." This was clear in LCI's March 4 letter, and in our discussions at our first and subsequent meetings. See March 4 letter at 1 (LCI's approach "ensures that *the existing Ameritech interoffice network* is used to most efficiently complete local traffic.") (emphasis added). Most of the other RBOCs include such an offering in their unbundled network element tariffs.

10/ See E. Wynn letter to A. Bingaman (April 16) at 4.

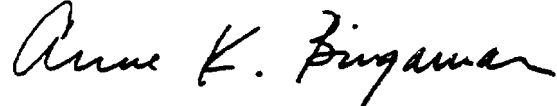
Mr. H. Edward Wynn
May 22, 1997
Page 6

I hope that this letter settles once and for all any claimed uncertainties regarding the nature of LCI's request. LCI's immediate goal is to determine whether or not Ameritech is willing to test LCI's definition of the platform at LCI's Chicago and Grand Rapids sales offices. Please advise me in writing by May 29, 1997, whether or not Ameritech is willing to conduct such a test.

If Ameritech is willing to proceed with the test as we discussed it first on February 28, 1997, LCI will proceed promptly to work with Ameritech first to convert our Chicago sales office to a UNE platform, and then to move friendly customers of LCI's in Chicago to a UNE platform. This would allow both Ameritech and LCI to gain experience and to test Ameritech's OSS and procedures for establishing the network platform required by the Act and the FCC's August 1, 1996 Local Competition Order.

Thank you very much. We very much hope Ameritech will proceed, and I look forward to hearing from you.

Sincerely,



Anne K. Bingaman

AKB:slg

May 22, 1997

HAND DELIVERED

Mr. Neil Cox
President
Ameritech Information Industry Services
350 North Orleans, Floor Three
Chicago, IL 60654

Dear Neil:

I write to make you personally aware of the continuous stream of problems that LCI has encountered working with Ameritech to provide competitive local service in your region in spite of the best efforts of your line staff. The problems appear to be the direct result of legal, marketing, and staffing decisions made at upper management levels, which is why I am addressing this letter to you. Attached you will find 28 documents:

- 25 letters in chronological order, 10 drafted by me and the remaining 15 drafted by my staff, come first.
- Two faxes from Ameritech's Michael O'Sullivan follow the letters. I note in this regard that while Mr. O'Sullivan recently forwarded these faxes to LCI, he never has responded in writing to LCI letters. I can only conclude from this paucity of documentation that Ameritech is either grossly and seriously under staffed; or that Mr. O'Sullivan is following a deliberate Ameritech policy of putting as little as possible in writing while its various 271 applications are pending. In either case, LCI has been greatly frustrated by the lack of action as detailed below, or even the courtesy of a written response from Ameritech.
- The Ohio resale agreement between Ameritech and LCI is the final attachment, addressed below.

Ex. 12

LCI has encountered numerous barriers erected by Ameritech that make providing competitive local service in Ameritech's region at best difficult and in many cases impossible. First, evidence continues to emerge suggesting that Ameritech has deliberately foreclosed competition altogether by locking customers into long-term contracts with huge termination charges for several important product lines. Second, Ameritech is deliberately forestalling network platform competition by refusing to permit LCI to order or test a combination of unbundled network elements ("UNE"). Third, Ameritech is not providing operations support system ("OSS") parity to LCI, which has limited LCI's ability to deliver a truly competitive service. Each of these is set forth briefly below.

I. AMERITECH'S APPARENT EFFORT TO FORECLOSE COMPETITION BY LOCKING CUSTOMERS INTO LONG-TERM CONTRACTS

Ameritech is deliberately foreclosing competition by locking up a substantial segment of the local market by tying customers to long-term contracts with huge termination penalties in every major market segment purportedly open to competition. This appears to have been done in the fairly recent past by Ameritech with the purpose and effect of foreclosing huge portions of the customer base from competitors' reach.

The FCC expressly addressed such long-term contracts entered into before competition had developed in its December 24, 1996 NPRM on access charges. At paragraph 190 therein, the FCC stated:

By "locking in" customers with substantial discounts for long-term contracts and volume commitments before a new entrant that could become more efficient than the incumbent can offer comparable volume and term discounts, it is possible that even a relatively inefficient incumbent LEC may be able to forestall the day when the more efficient entrant is able to provide customers with better prices.

In antitrust terms, such contracts can constitute illegal maintenance of a monopoly in violation of Section 2 of the Sherman Act.

A. Ameritech's long-term intraLATA toll call contracts foreclose up to 50 percent of both the local and intraLATA markets from competition

We have recently become aware that long-term contracts for Ameritech's intraLATA toll service, typically called "Value Link," may bind as many as 50 percent of business customers, according to LCI sales staff. See Exhibit T. After first contacting Ameritech regarding Value Link in March, your organization stated that LCI must either assume liability for each contract or pay the customer's termination penalty. See Exhibits N and T. This huge base of Value Link contracts appears to have been deliberately created in anticipation of competition in order to foreclose competitors' access to this

important market. Ameritech has refused to verify our estimate (see Exhibit T), and we hereby request that you do so.

Value Link contracts are anticompetitive in another manner as well. We have recently become aware that in 2PIC states, such as Illinois, where today customers legally have the right to choose separate local and intraLATA service providers, Ameritech's billing system is designed so that the local portion of Value Link customers' bills cannot be separated from the intraLATA portion. Effectively, Ameritech's billing system thereby precludes LCI from offering even local service to customers in 2PIC states, where such customers have Value Link contracts (unless LCI itself assumes liability for the Value Link contract or pays the customer's termination penalty).

Thus, by means of its defective and inadequate billing system, Ameritech has effected an illegal tie of local service to its long-term Value Link contracts, again foreclosing what may be as much as 50 percent of the business market from local competition. As noted previously, our efforts to resolve this vitally important issue have met with zero success to date.

B. Ameritech's long-term Centrex contracts also foreclose up to 50 percent of the small business market from effective competition

As you know, Ameritech's Centrex product is sold principally to business customers with less than 20 lines. This is so because it typically becomes economic to install a dedicated T-1 access for over 20 lines, and to use a PBX on the customer's premises, rather than Centrex.

To date, LCI sales staff have reported 50 separate instances where businesses in the Ameritech region have indicated that they cannot elect LCI local service because of long-term Centrex contracts. Of these 50 contracts, over 40 percent run for a seven year term, and have huge termination penalties. The pervasiveness and term length of these contracts suggest a concerted effort to bar local competition in the Ameritech region.

LCI does not have access to precise data on the percentage of the small business market foreclosed by Centrex contract. LCI hereby requests this information promptly.

C. Ameritech has foreclosed competition for a major portion of the large business telephone market, by locking in such customers with volume discounts under long-term contracts subject to large termination penalties

From what our Chicago sales office has recently told me, Ameritech has engaged in similar long-term contracts with huge termination penalties for major segments of the business market. LCI hereby requests full information on those contracts, their terms,

and the percentage of the market foreclosed. We believe these contracts also can constitute illegal maintenance of a monopoly.

II. AMERITECH'S EFFORTS TO PREVENT LCI FROM EITHER PURCHASING OR TESTING UNES

LCI first indicated its desire to transition to UNEs in October 1996. See Exhibit A. After an additional eight written requests and two meetings, Ameritech continues to refuse to enter an agreement either to sell or to test the UNE platform that LCI needs. See Exhibits B, E, G, I, M, P, Q and Y. Ameritech knows that LCI cannot compete effectively on price without transitioning to UNEs, and Ameritech evidently has employed a negotiating strategy of calculated ineptitude designed to delay indefinitely any forward progress on selling or testing LCI's requested UNE platform.

A. Refusal to provide LCI with the requested UNE platform

At our February 28 meeting, LCI outlined in great detail its desire to order from Ameritech a UNE platform, composed of the loop, switch, and non-discriminatory access to Ameritech's interoffice network for transporting and terminating local calls at cost-based rates as required by the Act. Under this approach, LCI would serve its customers as the local exchange and exchange access provider, while ensuring that the existing Ameritech network is used as efficiently as possible to complete local traffic.

Ameritech countered with two proposals, neither of which would provide LCI with non-discriminatory access to Ameritech's interoffice transport at cost-based rates. Ameritech's first proposal would force LCI to purchase dedicated transport from all end offices, and the second proposal would force LCI to complete calls over the Ameritech interoffice network, paying retail rates less the wholesale discount. Both of these proposals deter competition by limiting LCI's ability to purchase the combination of network elements necessary for reducing access costs.

B. Refusal to allow LCI to test the requested UNE platform

To avoid, at least temporarily, any legal disputes between LCI and Ameritech regarding transport arrangements contemplated by the Act, LCI indicated at the February 28 meeting a desire simply to test its proposed UNE platform. LCI even went so far as to agree to Ameritech's proposed compensation terms for using interoffice transport. Regarding the test, Ameritech indicated that it would provide LCI with the following data by March 7:

- The recording, measurement, and exchange of data required to support carrier billing by LCI as the provider of local switching and loop-related access services to other carriers for originating and terminating access;
- The recording, measurement, and exchange of data required for LCI to provide termination of other carriers' local traffic to LCI's customers served using unbundled local switching; and
- Systems and procedures required for ordering local transport and termination as a cost-based network function, in combination with the unbundled local switching element, to complete calls over the Ameritech interoffice network.

See Exhibit I. After failing to respond by March 7 as promised, Ameritech committed to responding by March 14. After failing to respond by March 14, I drafted an additional letter to Ameritech only to receive an evasive response on March 19.

LCI and Ameritech met again to discuss the proposed test on April 10. LCI reiterated its desire to test the systems needed to enable LCI, as the purchaser of unbundled local switching, to serve as the provider of call origination and termination. Ameritech rejected LCI's test proposal by letter dated April 16, and another exchange ensued. I have this date repeated, for the sake of ending what has begun to seem an interminable round of letters, the full details of LCI's test proposal, first put forward on February 28, 1997 and documented by us in full and complete detail.

As I stated in my letter to Ed Wynn of today, see Exhibit Y, I have begun to conclude that Ameritech is stalling the test as originally agreed to on February 28. I hope this is not the case. LCI remains ready to proceed promptly to test the UNE network platform and Ameritech's OSS and procedures by transitioning first our Chicago and Grand Rapids sales office and then friendly customers to the UNE platform, so that LCI and Ameritech can gain experience with Ameritech's OSS for the UNE platform.

III. AMERITECH'S FAILURE TO PROVIDE OSS PARITY

Ameritech's OSS fails to provide LCI and others with OSS parity. Ameritech's OSS (a) lacks the ability to respond adequately to customer-specific service problems, (b) is incapable of providing accurate and timely data critical to billing, (c) lacks mechanisms for providing accurate and timely ordering and provisioning information, and (d) will not improve through its planned electronic data interchange ("EDI") system because the system contemplated fails to correct or even directly address existing manual system problems.

A. Failure to respond adequately to customer-specific service issues

Ameritech has failed to provision correctly a number of LCI local customers, damaging our reputation as a local service provider in your region. Specific examples follow.

1. La Rabida Children's Hospital ("La Rabida")

La Rabida has remained a chronic problem since LCI first assumed this account on December 16, 1996. See Exhibit E. Ameritech's failure to provide order confirmation, its failure to provide timely usage information, and its failure to understand its own billing system caused LCI to lose this customer, greatly damaging LCI's reputation with health care providers in Illinois.

While LCI sent the order to Ameritech in December 1996, we did not learn until February that Ameritech was unable to fill La Rabida's order properly because of internal Ameritech billing problems. Ameritech apparently maintains two billing systems, an old system for accounts with grandfathered products and a new system for other accounts. Unfortunately the old billing system apparently is not compatible with Ameritech's new billing system, where Ameritech keeps all LCI accounts. This billing system incompatibility problem prevented Ameritech from properly generating customer usage data, without which we cannot bill our customers.

Based on Ameritech assurances, LCI believed that Ameritech and LCI had resolved La Rabida's billing and presubscribed interexchange carrier ("PIC") difficulties as early as January 22; however, problems persisted and LCI lost the La Rabida local account in February. See Exhibits E and R. Although LCI provisioned La Rabida back to Ameritech three months ago, Ameritech's internal billing system problems persist, and Ameritech continues to bill this account to LCI.

Ameritech's failure to handle this order has consumed a tremendous amount of LCI and Ameritech staff time, evidenced by the activities described in our follow-up letters of February 12, April 28, April 29, May 9, May 14, and May 20. See Exhibits E, R, S, V, W, and X. In spite of all of the work done to identify La Rabida's problems, we have real concerns that Ameritech has not implemented safeguards to prevent this type of problem from occurring in the future.

Once Ameritech completely converts La Rabida back to Ameritech, we request two additional actions. First, Ameritech and LCI need to draft a joint letter to La Rabida describing problems and delays, so that La Rabida will understand that it is Ameritech's legacy billing system which has caused these inordinate delays. Second, Ameritech needs to participate in a conference call with LCI staff to discuss compensation for La Rabida.

2. **Embassy Executive Center ("Embassy")**

Problems associated with our Embassy account took over six months to resolve -- from December 4, 1996 when Ameritech turned up the account, to May 13 when Ameritech indicated that it would credit Embassy for intraLATA toll charges. See Exhibits D, L, and W.

Similar to La Rabida, Embassy's problems emanated from compatibility problems between Ameritech's old and new billing systems. For customers with grandfathered products, billing system problems prevent Ameritech from properly generating customer usage data, without which LCI cannot bill its customers.

LCI received verbal notification that Ameritech completed the Embassy conversion on January 22 (we submitted the application to Ameritech on November 18, 1996), but because the account showed no traffic, we continued to research the issue and only then learned of the billing problem. See Exhibits D and L. Reliable confirmation and usage information would have enabled us to identify Ameritech's billing problem and resolve this problem more quickly.

Ameritech's internal billing problems created other problems as well. On the initial order, LCI listed Sprint as the long distance PIC; however, Ameritech incorrectly PIC'd the customer to LCI. LCI promptly informed Ameritech of this error, but Ameritech failed to execute the billing change. Ameritech staff later concluded that internal Ameritech billing problems delayed the PIC change, resulting in the error. See Exhibit L. Even worse, LCI has not received confirmation that Ameritech has in fact issued the credit to Embassy.

Ameritech has failed to work with LCI to prevent these issues from occurring with other customers. We repeatedly have asked Ameritech to provide timely usage information and a means to identify "grandfathered" accounts. See Exhibits C, D, L, N, O, R, S, W, and X. To date, Ameritech has failed to respond directly to or satisfy any of these requests. Because Ameritech has failed to provide a means by which we can avoid these problems from recurring, LCI is no better off operationally than it was last December.

3. **Fox Valley Fire & Safety ("Fox Valley")**

Issues related to Fox Valley also have remained unresolved since December 1996. While Ameritech has stated that it provisioned LCI's Fox Valley order on December 20, 1996, no usage appeared until May 10, 1997, nearly five months later. See Exhibits V, W. As for the traffic that has appeared, Ameritech has neither indicated when the usage occurred nor offered LCI any plans for reconciling this customer's billing records.

Without accurate confirmation notices and usage data, similar problems will continue to occur, absorbing excessive amounts of staff time and creating customer confusion and frustration.

4. Coaches Hotline

Our Coaches Hotline account also has been plagued with problems since December 1996. Ameritech indicated that Coaches Hotline would have LCI service by December 23, 1996, but on January 2, our customer informed us that the service change had not taken place. See Exhibit C.

LCI made a second provisioning request on January 30, which Ameritech failed to install correctly. See Exhibit U. During the install, Ameritech neglected to transfer the fourth line of the customer's hunt group, making only three of 29 lines properly usable for a period of over two months.

Ameritech's failure to provide timely usage data prevented LCI from identifying Ameritech's provisioning error before the problem occurred. Instead, the customer itself caught the error during a busy business day when its phones could not properly handle a large volume of incoming calls. While Coaches Hotline's service problems were resolved in March, as of today, Ameritech and LCI have not reached final agreement on an appropriate credit amount.

5 Mark IV Realty

On April 28 and May 1, LCI sent Ameritech information regarding several unidentifiable ANIs. See Exhibits V, W, X, and Z. Ameritech first told LCI that the ANIs were ours, but later indicated that the ANIs belong to Ameritech. Nearly four weeks later, this seemingly straightforward issue of who provides service to which ANIs remains unresolved. Most recently, Ameritech informed us that Mark IV's long distance PIC is AT&T and its intraLATA toll and local PIC is Ameritech. Yet LCI continues to receive large volumes of local usage for this customer, and, according to Mr. O'Sullivan, Ameritech remains "baffled." See Exhibit W.

B. Failure to provide timely and accurate information essential to billing

LCI depends on timely and accurate data on daily usage and monthly recurring charges to bill its customers. Because Ameritech consistently has failed to provide this data, LCI's billing processes have suffered.

1. General usage problems

Over a month ago, LCI provided Ameritech with a list of 168 telephone numbers ("TN") for which we have received no usage. See Exhibit Z. To date, Ameritech has researched only 30 of these TNs. In researching this issue, Ameritech staff noted that

One other consideration is the date when work was completed on the particular TN. (e.g., 773-637-6071 was on an order having an [Ameritech] due date of 2-21-97, it appears in the guide with an active date of 3-7-97; the order was not completed until 4-3-97)

See id. Thus, Ameritech's failure to complete orders accurately has contributed directly to usage problems. Furthermore, LCI apparently cannot rely on Ameritech due dates for completing orders. As noted, Ameritech indicated that it would complete the order mentioned by February 21, yet Ameritech did not complete the order until well over one month later. LCI must be able to rely on information provided by Ameritech.

2. Daily usage file timeliness

Timely daily usage is critical to LCI's billing operations. Without usage data, LCI cannot bill its customers. LCI receives essentially no call record information from Ameritech within 24 to 36 hours. Moreover, while Ameritech has promised to provide all daily usage data within 72 hours of the call date, LCI receives over 40% of the data late.

We first informed Ameritech of daily usage file problems on December 16, 1996. My staff and I followed up on this issue with letters dated January 29, February 19, March 26, April 9, and May 20, but Ameritech still has not brought us to parity. See Exhibits D, F, N, O, and X. Ameritech has this call record information available to it at the time the call passes through the switch. I see no reason, technological or other, why Ameritech cannot meet or beat its 72 hour contractual commitment to LCI. In fact, parity demands that LCI should receive access to usage data as LCI calls pass through the Ameritech switch.

Adding to our frustration was Ameritech's upgrading of the usage software it uses for resellers without informing LCI, which created additional delays. See Exhibit X. Ameritech needs to coordinate software and related service changes with LCI in order to resolve issues before problems emerge.

3. Ameritech's Electronic Billing System (AEBS) timeliness

Since our resale relationship began last year, LCI has received AEBS data sporadically:

- November data received via tape on 1/6;
- December data received via tape on 1/14;
- January data received via Connect:Direct on 3/1;
- February data received via Connect:Direct on 3/26;
- March AEBS data received via Connect:Direct on 4/17; and
- April AEBS data received via Connect:Direct on 5/16 -- note that your staff expressly guaranteed that we would receive April AEBS data by May 12.

See Exhibits S and X. Delayed AEBS data creates billing problems that adversely affect LCI's standing with existing and potential customers.

LCI first requested timely monthly recurring charge and non-recurring charge data on November 11, 1996. See Exhibit S. We reiterated our need via letter on January 29, February 19, April 29, and May 20. See Exhibits D, F, S, and X. As of today, we still have not received an outline of the process by which Ameritech will bring LCI to parity.

4. Resulting billing problems

Ameritech's failure to provide timely usage and AEBS data creates local and long distance billing delays. Late data directly causes late billing, and our new local customers have complained about not receiving local billing as quickly as they received bills when Ameritech provided their local service. For customers who want a combined local and long distance bill, receiving late data has forced LCI to delay billing customers for as many as five days.

LCI has devoted substantial efforts in attempting to get timely billing information from Ameritech, but Ameritech still consistently fails to meet agreed upon deadlines. See Exhibits D, F, N, O, S, and X. We cannot effectively compete with Ameritech in local markets if we cannot meet customer expectations, and we cannot meet customer expectations while Ameritech prevents LCI from achieving billing parity.

C. Failure to provide accurate and timely provisioning information

In order to provision accounts correctly, LCI needs complete access to grandfathered Ameritech products and USOCs.

1. Grandfathered Ameritech products

Internal Ameritech billing problems have made seemingly simple provisioning transactions monumentally difficult. Even though our agreement with Ameritech, Ohio states specifically that "Ameritech agrees to make Grandfathered Services available to LCI for resale," see Exhibit 2 at 3.1, Ameritech is unable to provide usage data for grandfathered products, apparently because of incompatibilities between Ameritech's old and new billing systems. As noted, Ameritech seems to maintain two billing systems, an old system for accounts with grandfathered products and a new system for other accounts. Problems with grandfathered products remain unresolved five months after they were first identified by LCI to Ameritech.

2. Regularly updated USOC information

Ameritech does not provide LCI with up-do-date USOC information, which LCI understands is revised monthly. Without up-to-date USOC information, we cannot correctly provision customer orders. LCI should receive access to USOC information on Ameritech's world wide web site, and, additionally, Ameritech should provide LCI with diskette updates of USOC information, including USOC name, plain English definition, rate by state, whether the USOC is associated with a term contract (and if so, indicate the contract length), whether the USOC is for business or residential customers, and whether the USOC is resellable.

Ameritech's failure to provide parity of access to important USOC information on a timely basis is a serious impediment to competition. Again, repeated requests have failed to resolve this issue.

D. Failure to develop an adequate electronic data interchange ("EDI") system

LCI currently is working with Ameritech to test and implement Ameritech's interpretation of the EDI guidelines, which we find woefully inadequate. Ameritech seems to take the position that simply developing an EDI system is enough. This position is incorrect. Ameritech must develop a complete EDI system. At a minimum, a complete EDI system must prevent existing problems from occurring, minimize order entry effort, provides access to internal ordering and billing status reports, and support all products, including UNEs.

LCI has received no assurances from Ameritech that its EDI system will correct existing OSS problems. Fully implementing the electronic interface without engineering solutions to avoid known problems will serve only to increase the number of problems as volume rises. Existing problems in today's environment have stretched LCI and Ameritech staff thin, and if Ameritech continues to develop an EDI system that does not

eliminate known problems, neither company will have the staff resources to resolve the vast number of issues that will result as the number of orders increases.

Currently, Ameritech's practice is to halt the editing process when it encounters the first error, instead of validating the entire service request. This means that LCI can make only one correction before it submits a revised request. Once the next release of the OSS gateway is implemented, Ameritech plans to provide up to 10 error messages per account and 10 error messages per line in each acknowledgment.

Under Ameritech's planned EDI system, LCI will not have access to status reports in Ameritech's internal systems that track ordering and billing. Without access to LCI accounts in Ameritech's internal systems, LCI will continue to lack the ability to resolve problems proactively. Electronic interfaces do not by themselves guarantee that an order successfully has navigated all the systems necessary for routing usage and billing information to LCI. For example, an order may complete the ordering process successfully, but fail in Ameritech's message guide system. Without access to the guide system, LCI will have to monitor line usage to confirm that Ameritech properly has filled the LCI order, which results in delayed customer billing.

Furthermore, Ameritech's planned EDI interface will not support UNE ordering. For UNEs, Ameritech plans to continue to maintain a wholly separate system, which does not follow EDI guidelines. This will require LCI to build another application and gateway to order UNE products.

Ameritech's EDI system as planned will not support increased competition; rather, it will increase the degree and scope of errors. At a minimum, until Ameritech commits to developing an EDI system that prevents existing problems from occurring, minimizes order entry effort, provides access to internal ordering and billing status reports, and support all products, OSS parity will not and cannot exist.

* * *

While this letter and exhibits is not intended to be an exhaustive description of LCI's difficulties with Ameritech, taken as a whole our experience to date demonstrates that Ameritech, both intentionally and through apparent understaffing and prolonged inattention to our repeated and documented request for help with problems created by Ameritech's systems, has engaged in a pattern of behavior designed to frustrate competition to the detriment of LCI and consumers.

LCI has worked hard and conscientiously to resolve customer problems with Ameritech, but has been met frequently with lack of meaningful response. We are

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deeply concerned that despite public pronouncement that Ameritech's local markets are open to competition, the fact that is that, even at the minuscule scale at which competition exists today, Ameritech has not staffed to handle the problems, nor has it taken the steps necessary to convert its computer systems to operate in a manner which gives competitors and equal chance at Ameritech's current customer base.

These issues are critical to developing real competition in local markets, and need to be addressed by Ameritech immediately.

Sincerely,

Anne K. Bingaman

